

The complaint

Miss R complains that TSB Bank plc (“TSB”) acted irresponsibly when it granted her an overdraft facility and credit limit increases and that it failed to monitor her usage to identify when she was in financial difficulty.

What happened

Miss R was initially granted an overdraft facility by TSB in 2013 as a student with a £1,500 limit. The account changed to a graduate account in August 2016 with the same limit. Both these accounts were interest free until it changed to a Classic account in August 2019.

In August 2020 the overdraft was cleared and the facility cancelled by Miss R. In June 2021, Miss R applied for her current overdraft facility. The limit increased several times from £100 until the last increase to £1,250 in March 2022.

In January 2025 Miss R complained to TSB that it had been irresponsible in granting her the overdraft and increases and had failed to monitor her overuse of the facility when she was in financial difficulty.

On 6 February 2025 TSB issued Miss R with a final response letter (“FRL”). Under cover of this FRL, TSB explained that Miss R had met its affordability criteria for the initial overdraft limit and subsequent increases and it said it wasn’t upholding her complaint.

Unhappy with TSB’s FRL, Miss R brought her complaint to our service. One of our investigators upheld it concluding that TSB had acted unfairly and had failed to monitor the facility when it was being overused by Miss R.

TSB didn’t agree and so the complaint has been passed to me for review and decision.

On 9 October 2025 I issued a provisional decision on this case. In summary I said:

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having done so, I can confirm that I’ve reached a different conclusion to our investigator and don’t think that TSB needs to do anything else.

I’m aware that I’ve summarised this complaint above in less detail than it may merit. No discourtesy is intended by this. Instead, I’ve focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I haven’t. I’m satisfied I don’t need to comment on every individual argument to be able to reach what I think is the right outcome. I will, however, refer to those crucial aspects which impact my decision.

Lastly, I would add that where the information I've got is incomplete, unclear or contradictory, I've to base my decision on the balance of probabilities.

Did TSB conduct proportionate checks prior to making its lending decisions?

Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

So before agreeing to approve the credit available to Miss R, TSB needed to make proportionate checks to determine whether the credit was affordable and sustainable for her. There isn't a prescribed list of checks a lender should make. But the kind of things I expect lenders to consider include – but aren't limited to the type and amount of credit, the borrower's income and credit history, the amount and frequency of repayments, as well as the consumer's personal circumstances. And it's important to note that an overdraft is designed for short term borrowing. I'd also expect TSB to think about Miss R's ability to repay the whole borrowing in a reasonable period.

The only guidance within the regulations about what constitutes a reasonable period of time is that the lender should have regard to the typical time required for repayment that would apply to a fixed-sum unsecured personal loan for an amount equal to the credit limit. So in these circumstances, given the relatively low amount of the maximum limit of £1,250, I would consider 12 months to be a reasonable period of time to repay the whole of the borrowing and this is a period that TSB has also acknowledged as being reasonable.

Looking at the last credit limit increase in March 2022, Miss R declared she worked full time and was receiving a monthly net income of £1,950. She also declared that she was living with her parents and wasn't paying rent and had no essential outgoings. TSB said based on these figures it was satisfied that Miss R had a sufficient disposable income to be able to afford an overdraft of £1,250. And on balance, I agree. I think given the amount of credit afforded to Miss R, the checks TSB conducted were proportionate and it made a fair lending decision.

We asked Miss R for a copy of her credit report so we could see the sort of information TSB would have seen for each lending decision it made, from the initial £100 limit in June 2021 to the last increase to £1,250 in March 2022.

From the credit file, I've not found any adverse credit information such as delinquencies or defaults and so although Miss R did have other credit commitments throughout the lending period, it appeared she was managing her other financial commitments well. And looking at Miss R's current account and overdraft facility, I think the same can be said here.

So on balance, I think TSB conducted proportionate checks when it considered each credit limit increase and made fair lending decisions.

TSB's responsibility to monitor Miss R's overdraft usage

The regulations say that an overdraft isn't generally suitable for long term use. So as well as needing to act responsibly when it took the decision to grant Miss R an overdraft – ensuring

that the overdraft was sustainably affordable without the need for Miss R to borrow more – TSB also needed to monitor and review her overdraft usage. And where it identified a pattern of repeat usage, it needed to take steps to address that usage.

Our investigator felt that TSB should have stepped in by the time of the annual review in March 2024 as they felt there were signs at this time of Miss R being in financial difficulty. But I don't agree. I say this as Miss R never exceeded the agreed limit, wasn't constantly overdrawn and was using the overdraft as it was intended, for short term borrowing. And from what I can see Miss R didn't incur any additional charges or had any returned direct debits and nor had she contacted TSB to inform it she was in financial difficulty. So on balance, I'm satisfied that with better account management and less non-essential spending, the facility could have been cleared within 12 months.

Miss R wasn't constantly overdrawn over a 12 month period, which the regulations suggest may indicate financial difficulty and I'm satisfied that the maximum overdraft limit of £1,250 would have appeared still affordable for her. I haven't seen any evidence from Miss R's credit file of any adverse information that would have suggested to TSB, that Miss R was in financial difficulty (such as defaults, delinquencies or county court judgements) and so on balance, I don't think TSB needed to step in at the time of the annual review in March 2024.

My provisional decision is I don't uphold Miss R's complaint. I appreciate that Miss R will be disappointed with this. But having considered everything that both parties have said and submitted, I'm simply not persuaded, in the particular circumstances of this case, that TSB acted unfairly in its lending to Miss R.

Did TSB act unfairly in any other way

I've also considered whether TSB acted unfairly or unreasonably in any other way, including whether the relationship between Miss R and TSB might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think TSB lent irresponsibly to Miss R or otherwise treated her unfairly in relation to this matter. I haven't seen anything to suggest that Section 140A would, given the facts of this complaint, lead to a different outcome here.

TSB told us that it had nothing further to add. Miss R disagreed with my provisional decision. She said that she had been in her overdraft for the majority of each month since 2022 and that the interest applied had prevented her from being able to clear her balance. Miss R said her declared income may have appeared affordable but didn't reflect her real-world affordability. Miss R pointed out that my reference to non-essential spending was an unfair and subjective judgement and that living with her parent's didn't mean she didn't have any essential outgoings.

I've considered carefully what Miss R has said in response to my provisional decision. But having done so, it hasn't altered my conclusion about her complaint.

As I pointed out in my provisional decision, under the regulations, one of the indicators that may suggest financial difficulty is being overdrawn constantly in a 12 month period. And whilst I appreciate and acknowledge that Miss R was in her overdraft for most of each month, she wasn't constantly overdrawn and her income did return the account back into credit. Although it's clear that Miss R was using her overdraft each month, I can't say that there was any obvious signs of financial difficulty such as adverse credit information or being unable to pay essential bills.

TSB, in response to our investigator's view, pointed out to us that there was what it considered, a high level of non-essential spending on Miss R's account and which I've gone

on to consider in the interest of fairness. And whilst I don't disagree that consideration of what constitutes non-essential spending maybe subjective, I'm satisfied there was evidence of what I would consider to be non-essential spending. And so I stand by my previous comments that with better account management and less non-essential spending, the facility could have been cleared within 12 months.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As I haven't been provided with any new material evidence to consider from either party, I can confirm that I have no reason to depart from my provisional findings and I now confirm them as final.

My final decision is I don't uphold Miss R's complaint. I appreciate that Miss R will be disappointed with this. But having considered everything that both parties have said and submitted, I'm simply not persuaded, in the particular circumstances of this case, that TSB acted unfairly in its lending to Miss R.

My final decision

My final decision is that I don't uphold Miss R's complaint against TSB Bank plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 20 November 2025.

Paul Hamber
Ombudsman